
FITCHBURG GAS AND ELECTRIC LIGHT COMPANYFitchburg, Massachusetts

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PENSION/PBOP ADJUSTMENT FACTOR

SCHEDULE PAF

1.01 Purpose

The purpose of the Pension/PBOP Adjustment Factor ("PAF") is to provide Fitchburg Gas and Electric Light Company (the "Company") a mechanism to adjust, on an annual basis and subject to the jurisdiction of the Department of Telecommunications and Energy (the "Department"), its rates for customers of distribution service to recover costs associated with Pension and post-retirement benefits other than pensions ("PBOPs") and to reconcile Pension and PBOP expense amounts included in the Company's distribution rates with the total expense amounts booked by the Company pursuant to SFAS 87 and SFAS 106.

1.02 Applicability

This PAF shall be applicable to all firm gas, as measured in therms, delivered by the Company unless otherwise designated. For billing purposes, the PAF shall be included in the Local Distribution Adjustment Clause.

1.03 Effective Date of Annual Adjustment Factor

The date on which the annual PAF becomes effective shall be November 1st of each year, unless otherwise ordered by the Department. The Company shall submit PAF filings as outlined in Section 1.06 of this tariff at least 45 days before the filing is to take effect, in conjunction with its Local Distribution Adjustment Clause filing.

1.04 Definitions

The following terms shall be used in this tariff as defined in this section, unless the context requires otherwise.

- (1) "Distribution Company" or "Company" is Fitchburg Gas and Electric Light Company.
- (2) "ERISA" is the Employee Information Retirement Income Security Act of 1974, as amended from time to time.
- (3) "Pension Plan" is a Qualified Pension Plan, as defined by ERISA.
- (4) "Post Retirement Plan Other Than Pension Plan" is a Qualified PBOP, as defined by ERISA.
- (5) "Pre-Paid Amount" is the difference between: (1) the actual cash contributions to the Pension Plan and the PBOP Plan and (2) the amounts recognized in accordance with SFAS 87 and SFAS 106. These amounts are the Gas Division's allocation of total pre-paid amounts for the Company.

PENSION/PBOP ADJUSTMENT FACTOR

SCHEDULE PAF

1.04 Definitions (continued)

- (6) "Prior Year" is the calendar year previous to the effective date of a proposed PAF.
- (7) "Reconciliation Deferral" is the difference between: (1) the total Pension and PBOP expense amounts included in the Company's rates (including both base rates and the PAF); and (2) the total expense amounts booked by the Company in the Prior Year in accordance with the requirements of SFAS 87 and SFAS 106.

1.05 Pension and PBOP Adjustment Factor Formula

$$PAF_x = (RA_x + cc(URD_x + APPA_x - DTA_x) + PPRA_x) / F_{therm_x}$$

PAF = The annual Pension/PBOP Adjustment Factor.

RA_x = The Reconciliation Adjustment for Year_x is one-third of the Unamortized Reconciliation Deferral at the end of the Prior Year.

URD_x = The Unamortized Reconciliation Deferral is the amount of the Reconciliation Deferral that has not yet been collected in retail rates. At the beginning of Year_x the Unamortized Reconciliation Deferral is the sum of: (1) the Unamortized Reconciliation Deferral at the beginning of the Prior Year; plus (2) the Reconciliation Deferral for Prior Year; minus (3) the Reconciliation Adjustment for the Prior Year.

cc = The Cost of Capital is the tax-effected weighted-average cost of capital as most recently approved by the Department. Until the Company's next general rate case following the effective date of this tariff, the Cost of Capital shall be 11.10 percent.

APPA_x = The Average Pre-Paid Amount, for Year_x is one half of the sum of: (1) the Pre-Paid Amount recorded on the Company's books as of the beginning of the Prior Year; and (2) the Pre-Paid Amount to be recorded on the Company's books as of the end of the Prior Year.

DTA_x = The Deferred Tax Amount is the deferred taxes associated with (i) the Average Pre-Paid Amount and (ii) the URD at the end of the Prior Year.

PENSION/PBOP ADJUSTMENT FACTOR

SCHEDULE PAF

1.05 Pension and PBOP Adjustment Factor Formula (continued)

PPRA_x = The Past Period Reconciliation Amount is the sum of: (a) the difference between (1) the amount of PAF revenue that should have been collected by the Company in the year preceding the Prior Year and the Prior Year; and (2) the amount of PAF revenue actually received by the Company in the year preceding the Prior Year and the Prior Year; and (b) the amount computed in clause (a) times the prime rate computed in accordance with 220 C.M.R. § 6.08(2).

Ftherm_x = The Forecasted Therms is the forecasted amount of therms to be distributed to the Company's distribution customers for the upcoming annual PAF billing period.

1.06 Information Required to be Filed with the Department

Information pertaining to the PAF shall be filed with the Department at least forty-five (45) days before the date on which a new PAF is to be effective. Additionally, the Company will file with the Department a complete list by (sub)account of all Pension and PBOP Plan accounts claimed as recoverable through the PAF over the relevant annual PAF billing period. This information will be submitted with each annual PAF filing, along with complete documentation of the reconciliation-adjustment calculations.

1.07 Customer Notification

The Company will notify customers in simple terms of changes to the PAF, including the nature of the change and the manner in which the PAF is applied to the bill. In the absence of a standard format, the Company will submit this notice for approval at the time of each PAF filing. Upon approval by the Department, the Company must immediately distribute these notices to all of its distribution customers either through direct mail, with its bills, or as a bill message.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY

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* These tariffs will be revised to incorporate the Pension/PBOP Adjustment Factor into the Adjustment provision in conjunction with FG&E's next electric annual reconciliation filing.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
PENSION/PBOP ADJUSTMENT FACTOR
SCHEDULE PAF

1.01 Purpose

The purpose of the Pension/PBOP Adjustment Factor ("PAF") is to provide Fitchburg Gas and Electric Light Company (the "Company") a mechanism to adjust, on an annual basis and subject to the jurisdiction of the Department of Telecommunications and Energy (the "Department"), its rates for customers of distribution service to recover costs associated with Pension and post-retirement benefits other than pensions ("PBOPs") and to reconcile Pension and PBOP expense amounts included in the Company's distribution rates with the total electric distribution expense amounts recorded by the Company pursuant to SFAS 87 and SFAS 106.

1.02 Applicability

This PAF shall be applicable to all firm electricity, as measured in kilowatthours ("kWhs"), delivered by the Company unless otherwise designated. For billing purposes, the PAF shall be included in the Distribution Charge.

1.03 Effective Date of Annual Adjustment Factor

The date on which the annual PAF becomes effective shall be the first day of each calendar year, unless otherwise ordered by the Department. The Company shall submit PAF filings as outlined in Section 1.06 of this tariff at least 30 days before the filing is to take effect.

1.04 Definitions

The following terms shall be used in this tariff as defined in this section, unless the context requires otherwise.

- (1) "Distribution Company" or "Company" is Fitchburg Gas and Electric Light Company.
- (2) "ERISA" is the Employee Information Retirement Income Security Act of 1974, as amended from time to time.
- (3) "Pension Plan" is a Qualified Pension Plan, as defined by ERISA.
- (4) "Post Retirement Plan Other Than Pension Plan" is a Qualified PBOP, as defined by ERISA.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY

PENSION/PBOP ADJUSTMENT FACTOR

SCHEDULE PAF (continued)

1.04 Definitions (continued)

- (5) "Pre-Paid Amount" is the difference between: (1) the actual cash contributions to the Pension Plan and the PBOP Plan and (2) the amounts recognized in accordance with SFAS 87 and SFAS 106. These amounts are the Electric Division's allocation of total pre-paid amounts for the Company adjusted to exclude amounts allocated to the electric transmission function.
- (6) "Prior Year" is the calendar year previous to the effective date of a proposed PAF.
- (7) "Reconciliation Deferral" is the difference between: (1) the total Pension and PBOP expense amounts included in the Company's rates (including both base distribution rates and the PAF); and (2) the total distribution expense amounts recorded by the Company in the Prior Year in accordance with the requirements of SFAS 87 and SFAS 106.

1.05 Pension and PBOP Adjustment Factor Formula

$$PAF_x = (RA_x + cc(URD_x + APPA_x - DTA_x) + PPRA_x)/FkWh_x$$

PAF = The annual Pension/PBOP Adjustment Factor.

RA_x = The Reconciliation Adjustment for Year_x is one-third of the Unamortized Reconciliation Deferral at the end of the Prior Year.

URD_x = The Unamortized Reconciliation Deferral is the amount of the Reconciliation Deferral that has not yet been collected in retail rates. At the beginning of Year_x the Unamortized Reconciliation Deferral is the sum of: (1) the Unamortized Reconciliation Deferral at the beginning of the Prior Year; plus (2) the Reconciliation Deferral for the Prior Year; minus (3) the Reconciliation Adjustment for the Prior Year.

cc = The Cost of Capital is the tax-effected weighted-average cost of capital as most recently approved by the Department. Until the Company's next general rate case following the effective date of this tariff, the Cost of Capital shall be 11.10 percent.

$APPA_x$ = The Average Pre-Paid Amount, for Year_x is one half of the sum of: (1) the Pre-Paid Amount recorded on the Company's books as of the beginning of the Prior Year; and (2) the Pre-Paid Amount to be recorded on the Company's books as of the end of the Prior Year.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY

PENSION/PBOP ADJUSTMENT FACTOR

SCHEDULE PAF (continued)

1.05 Pension and PBOP Adjustment Factor Formula (continued)

- $DTA_x =$ The Deferred Tax Amount is the deferred taxes associated with (i) the Average Pre-Paid Amount and (ii) the URD at the end of the Prior Year.
- $PPRA_x =$ The Past Period Reconciliation Amount is the sum of: (a) the difference between (1) the amount of PAF revenue that should have been collected by the Company in the year preceding the Prior Year and the Prior Year; and (2) the amount of PAF revenue actually received by the Company in the year preceding the Prior Year and the Prior Year; and (b) the amount computed in clause (a) times the prime rate computed in accordance with 220 C.M.R. § 6.08(2).
- $FkWh_x =$ The Forecasted kWhs is the forecasted amount of electricity to be distributed to the Company's distribution customers for the upcoming annual PAF billing period.

1.06 Information Required to be Filed with the Department

Information pertaining to the PAF shall be filed with the Department at least thirty (30) days before the date on which a new PAF is to be effective. Additionally, the Company will file with the Department a complete list by (sub)account of all Pension and PBOP Plan accounts claimed as recoverable through the PAF over the relevant annual PAF billing period. This information will be submitted with each annual PAF filing, along with complete documentation of the reconciliation-adjustment calculations.

1.07 Customer Notification

The Company will notify customers in simple terms of changes to the PAF, including the nature of the change and the manner in which the PAF is applied to the bill. In the absence of a standard format, the Company will submit this notice for approval at the time of each PAF filing. Upon approval by the Department, the Company must immediately distribute these notices to all of its distribution customers either through direct mail, with its bills, or as a bill message.